The Trade and Investment Monitor

With the special report:

Canada's Trade and Investment Performance in Latin America

Fall-Winter, 1999/2000

TEAM CANADA

INTERNATIONAL BUSINESS DEVELOPMENT

Micro-Economic Policy Analysis Branch, Industry Canada

101-02514

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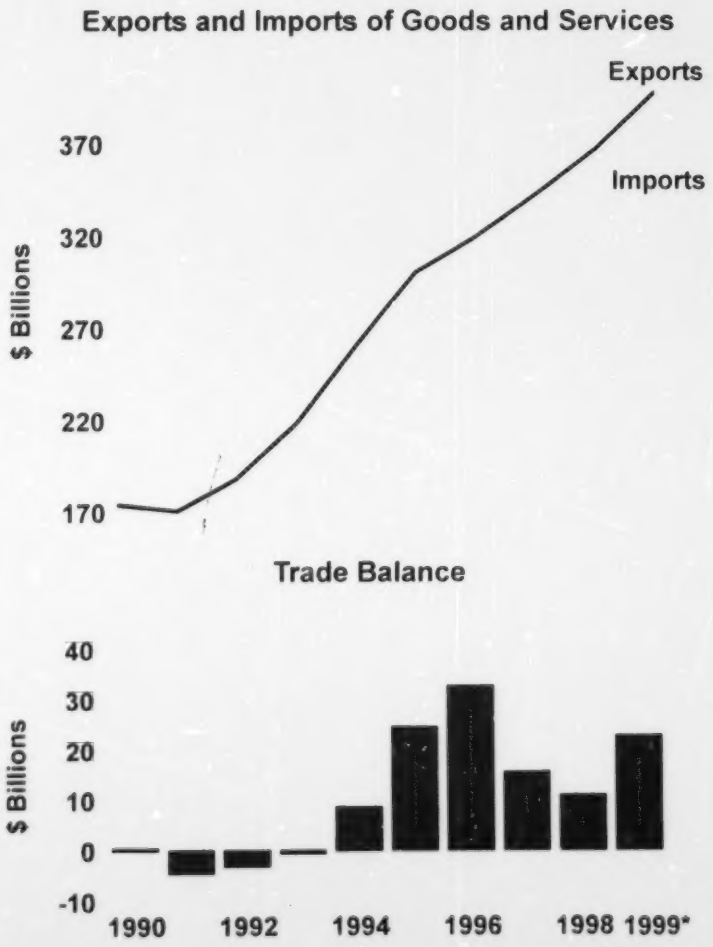
Canada's Trade Performance

In the 1990s our exports more than doubled...

- **Exports of goods and services grew by approximately 9.7% per year between 1990 and 1998. This compares with a 7.5% rate of growth during the 1980s.**
- **Imports lagged behind exports resulting in a significant improvement in our trade balance in the second half of the 1990s.**
  - **Trade balances averaged nearly $21 billion between 1995 and 1998 compared to only $0.2 billion for the first 5 years of the decade.**

Exports grew by 11.8% and imports by 7.1% over the first three quarters of 1999, compared to the same three quarters of the previous year.

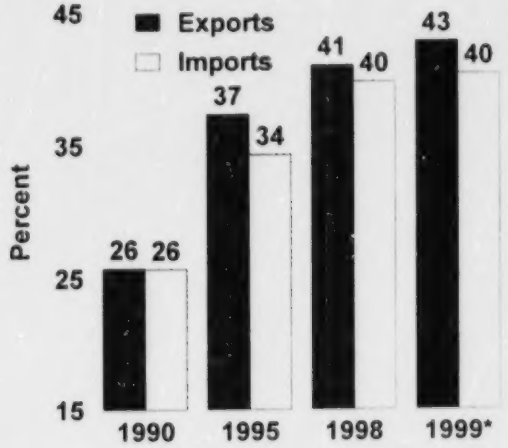


*Last four quarters
Source: Compilations based on Statistics Canada data

...and Canada's outward orientation continued to soar...

- Canada's export orientation (ratio of exports to GDP), increased by over 50% between 1990 and 1998. Similarly, import penetration (ratio of imports to GDP) increased dramatically during this period.
  - Canada's export orientation continued its upward trend in 1999, reaching 43% for exports and 40% for imports.
- Canada's trade orientation is more than two and a half times that of the other G7 countries, and the gap is widening.
  - The marked increase in two-way trade suggests increased product specialization.

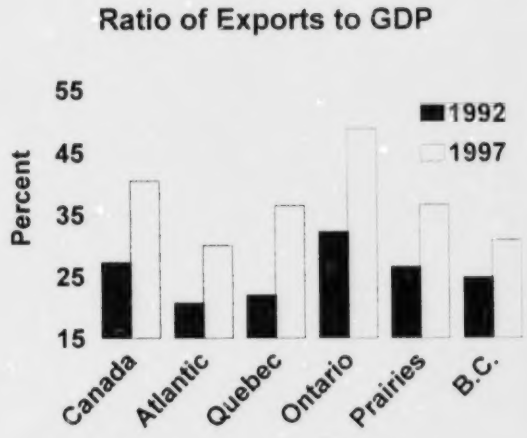
Ratios of Exports and Imports to GDP

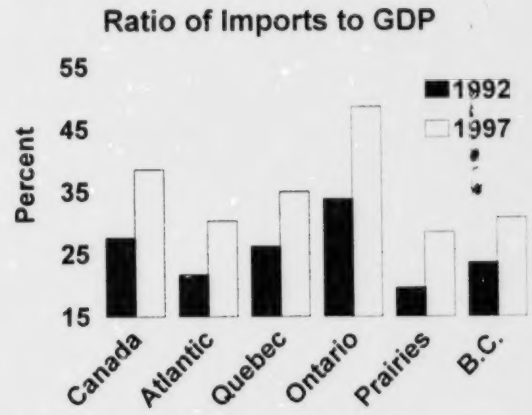


*Last four quarters
Source: Compilations based on Statistics Canada data

...increasing across all regions...

- **The rapid surge in export orientation and import penetration in the 1990s is pervasive across all Canadian provinces, especially Quebec and Ontario.**
  - **Ontario is by far the most export oriented - and import oriented - of all Canadian provinces.**

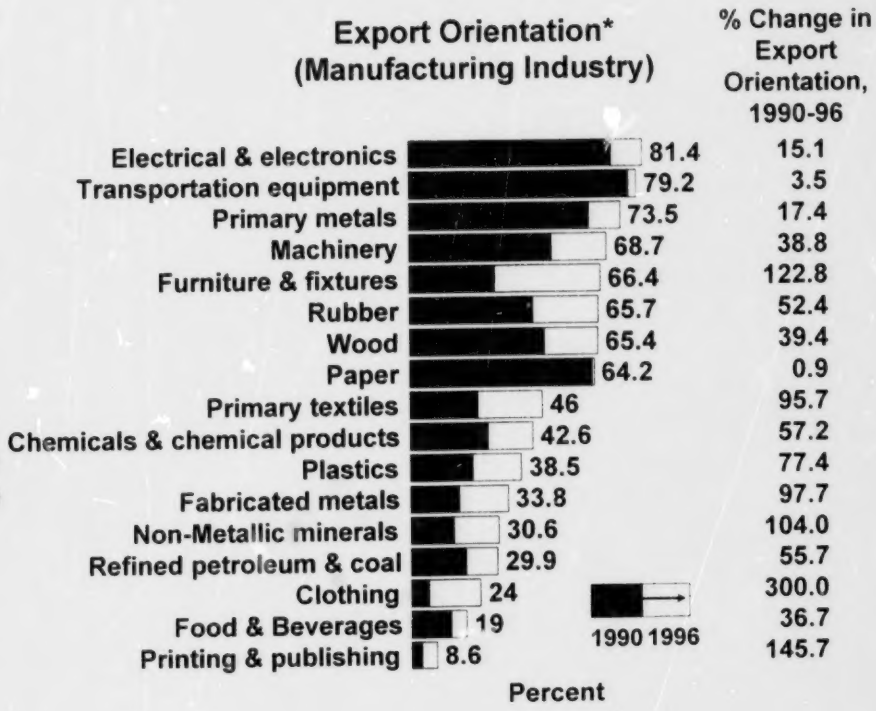




Source: Compilations based on Statistics Canada data

...and across all manufacturing industries

- The number of manufacturing industries relying on foreign markets for at least 50% of their sales doubled (from 4 to 8) between 1990 and 1996.
  - Increased reliance on exportation was especially strong in Clothing, Printing & publishing, and Furniture & fixtures.

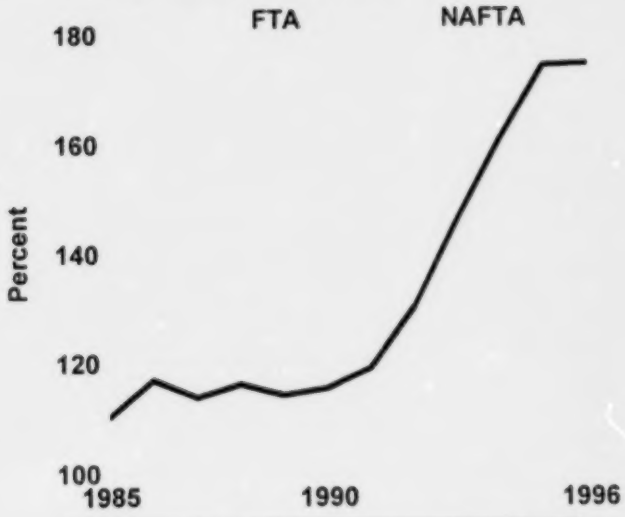


*Exports as a Percentage of Shipments
Source: Compilations based on Statistics Canada data

The gap between international trade and inter-provincial trade continued to widen in the 1990s

- The ratio of international trade to inter-provincial trade increased from 114% in 1989 to 175% in 1996.
- Stronger North-South linkages as a result of the two free trade agreements, the booming U.S. economy and the low Canadian dollar are likely the main contributing factors.

International Trade as a Percentage of Inter-provincial Trade



Inter-provincial & International Trade, $ Billion

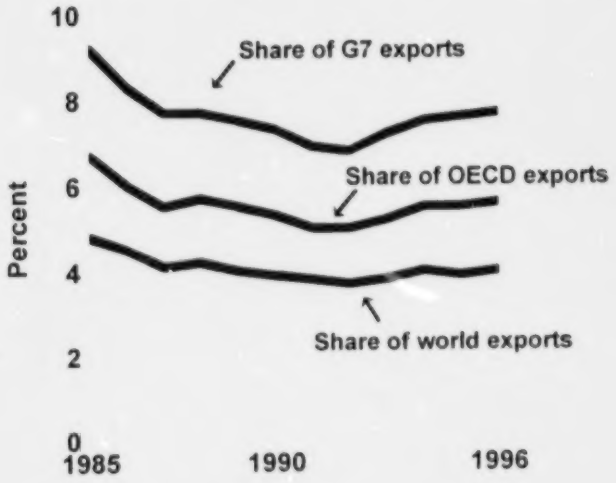
	1985	1990	1996
Inter-provincial	228	281	320
International	251	325	560

Source: Compilations based on Statistics Canada data

Canada's share of world exports rebounded somewhat...

- Between 1991 and 1996, Canadian exports grew faster than in most other countries resulting in a small increase in Canada's share of exports.
  - Despite these gains, Canada's export shares remain considerably below levels in 1985.

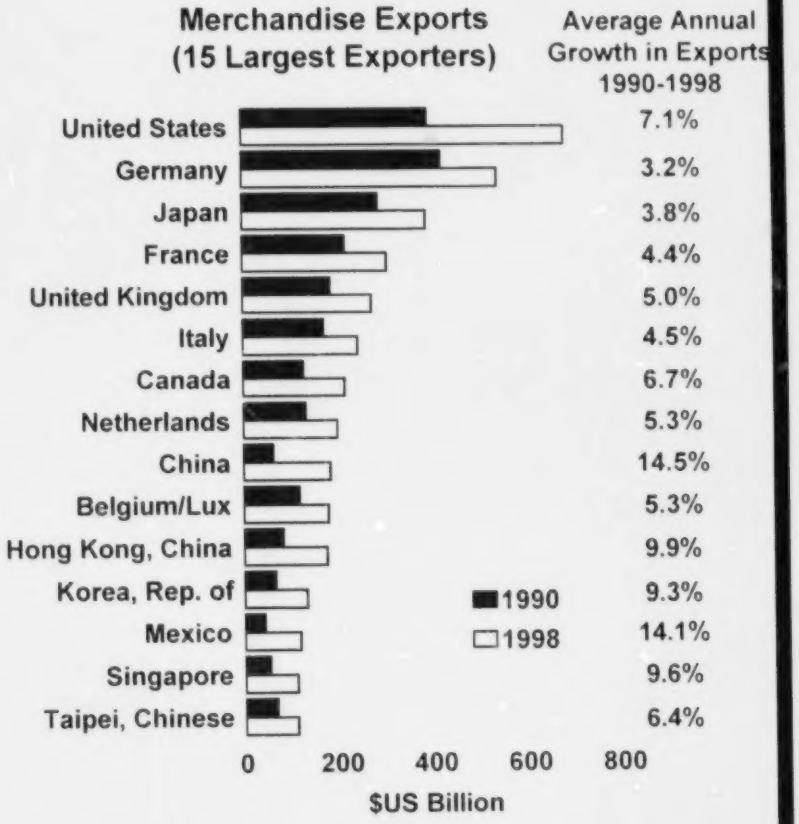
Canada's Share of Merchandise Exports



Source: Compilations based on data from the World Trade Database, Statistics Canada and the OECD

...as Canada became the 7th largest merchandise exporter...

- Canada surpassed the Netherlands as the 7th largest merchandise exporter in the world in 1998.
  - In addition, only two countries in the top ten — the U.S. and China — had exports growing at a faster rate than Canada over this period.
- It is interesting to note that Mexico was ranked 20th among exporting countries in 1990, but jumped to number 13 in 1998 and is growing more than twice as fast Canada.
  - Hong Kong, Korea, Mexico, Singapore and Taiwan are ranked 11 through to 15 respectively by export value and all are growing faster than Canada.



Source: World Trade Organization

...and maintained its position as 7th largest merchandise importer

- The top 15 importing countries matches closely to that of exporters and has not changed considerably from year to year.

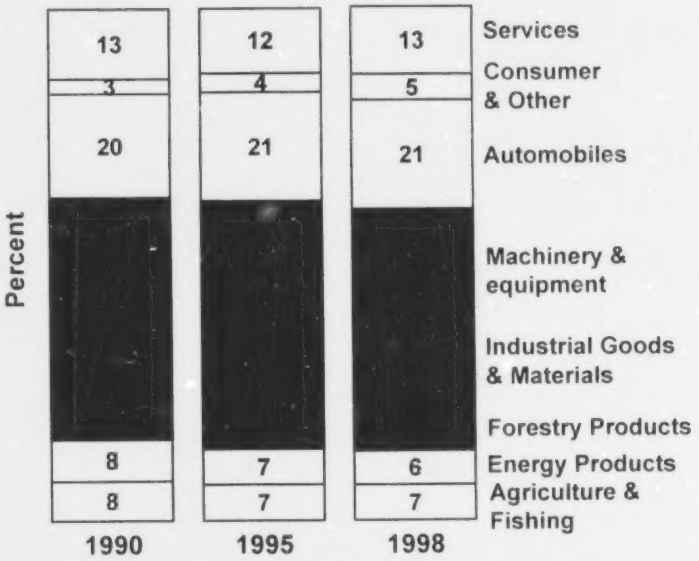
Source: World Trade Organization

Machinery & equipment exports have gained importance relative to resource exports

- The share of resources, in Canada's total exports declined by 5 percentage points between 1990 and 1998 — from 28% to 23%.
- On the other hand, the share of Machinery & equipment rose 5 percentage points — from 16% to 21%.

Exports of Automobiles and Machinery & Equipment account for over two-fifths of total Canadian exports.

Distribution of
Canada's Exports by Industry

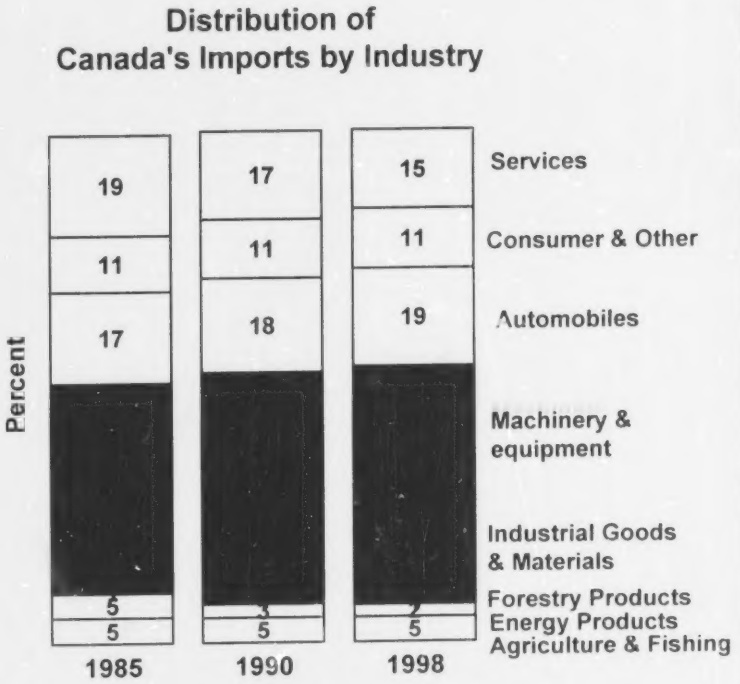


Canada's Total Exports of Goods & Services, $ Billion		
1990	1995	1998
176	302	370

Source: Compilations based on Statistics Canada data

The share of Machinery & equipment imports has increased as well

- There has been a steady increase in the share of Machinery and Equipment imports largely at the expense of Service imports.
  - The share of Machinery and equipment imports increased from 25% in 1990 to 28% in 1998, while the share of Service imports dropped from 19% to 15%.



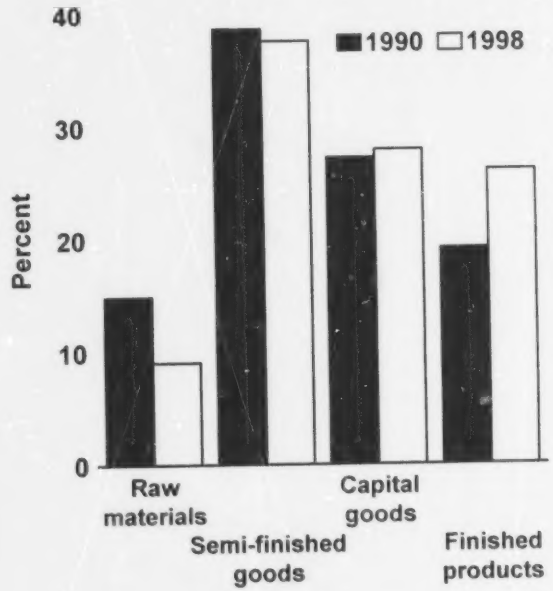
Canada's Total Imports of Goods & Services, $ Billion		
1990	1995	1998
175	277	357

Source: Compilations based on Statistics Canada data

Our exports have moved up the value-added chain

- In the 1990's, Canada's export structure shifted towards high value-added exports.
  - Capital goods and finished products now comprise the bulk of Canada's merchandise exports, accounting for 54% of total exports in 1998, up from 46% in 1990.

Distribution of Exports by Value-added



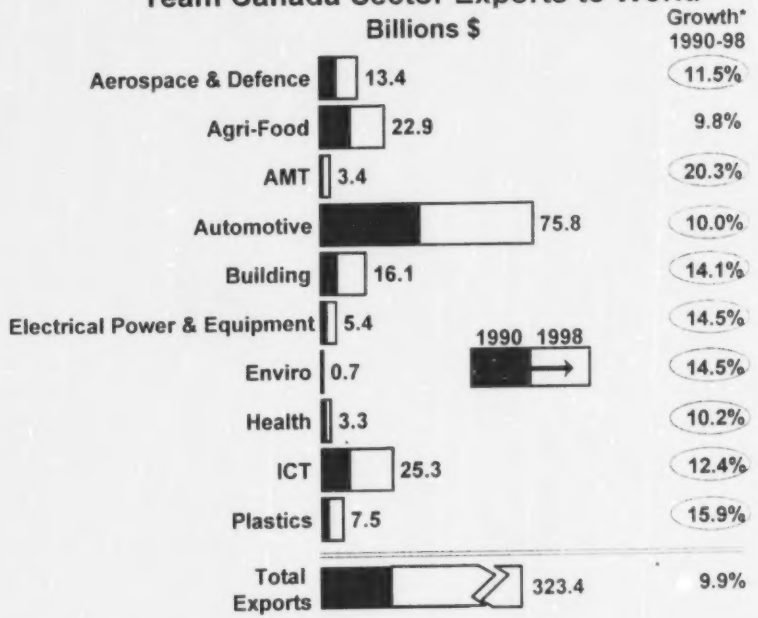
Source: Compilations based on Statistics Canada data using World Bank value-added classification system

The export performance of Team Canada Sectors was exceptional...

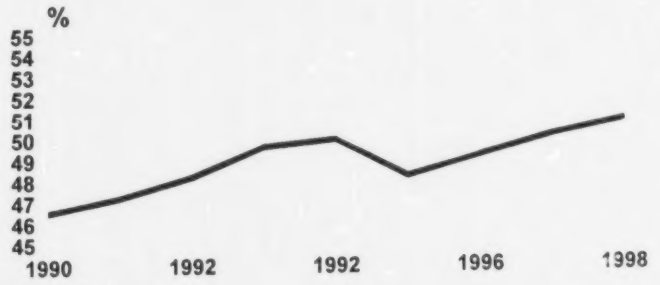
- **Team Canada Sectors performed well in the nineties.**
  - **Export growth was greater than total export growth in nine out of the ten sectors.**
  - **Furthermore, Team Canada Sectors as a share of total exports rose from less than 47% in 1990 to more than 50% in 1998.**

Advanced Manufacturing Technology exports have been growing at more than 20% per year!

Team Canada Sector Exports to World



Team Canada Sectors Share of Canadian Exports

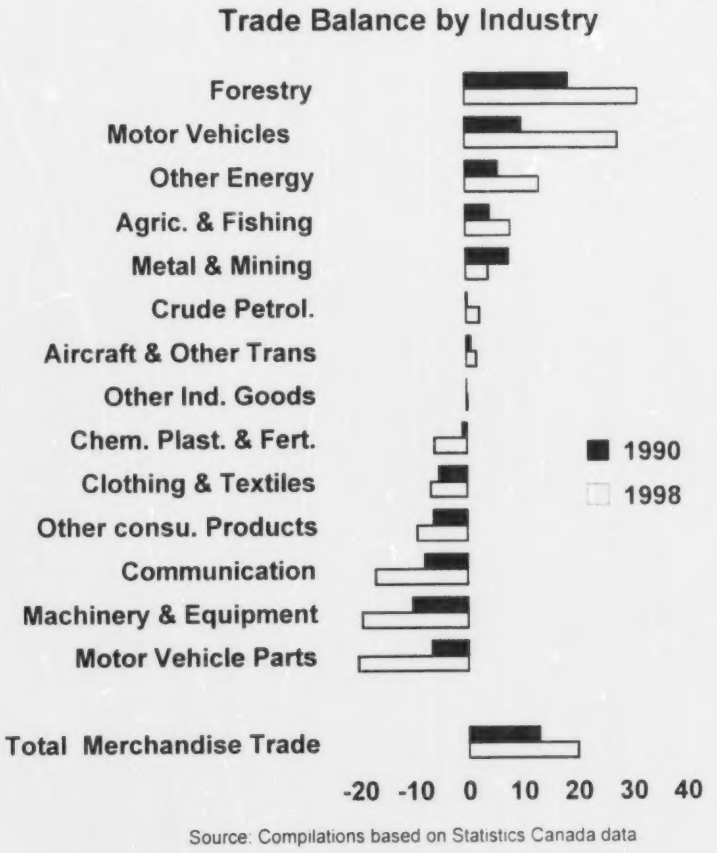


* Average annual growth.

Source: Industry Canada compilations based on Statistics Canada data

...but our traditional comparative advantage deepened

- Sectors that have traditionally enjoyed trade surpluses, such as forestry, other resources and automobiles, have run increasingly large surpluses in the 1990s.
- On the other hand, industries such as motor vehicle parts and consumer products are running increasingly large deficits.
- The increased consolidation of merchandise trade balances along industrial lines is consistent with increased product specialization in areas where Canada has a strong comparative advantage.

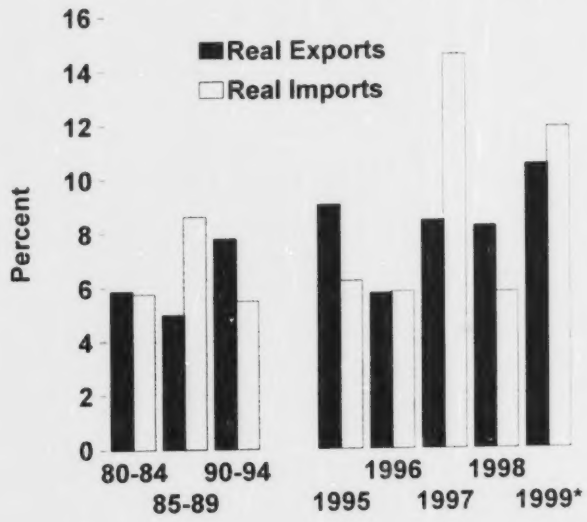


Source: Compilations based on Statistics Canada data

In the 1990's, real exports outpaced real imports...

- **Real exports grew 15% faster than real imports over the 1990s — 8.2% compared with 7.1% per annum.**

Annual Growth of Real Exports and Real Imports of Goods and Services



*Last four quarters
Source Compilations based on Statistics Canada data

While real exports grew faster than real imports for all of the 1990s, real imports actually grew faster in 1999 — 11.9% vs. 10.5% for the growth in real exports.

...making a significant contribution to economic growth

- **Trade contributes directly and indirectly to output and real income growth.**
  - **Between 1990 and 1999 increases in net exports directly accounted for 15% of the economic growth in Canada.**
  - **Indirect effects via increased specialization and productivity improvements are probably more important but much more difficult to measure.**
  - **Increased output growth would also contribute to employment creation in the medium-term.**

Direct Contribution to Economic Growth, 1990-99*

Average Annual Growth of Real GDP, 1990-1999*: 2.4%

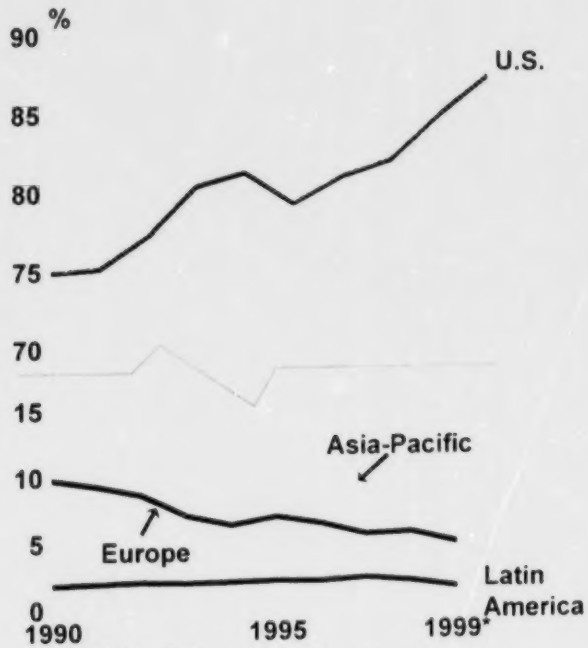
* 3rd quarter 1990 to 3rd quarter 1999
Source Compilations based on Statistics Canada data

The importance of the U.S. market for our exports increased dramatically...

- The U.S. share of Canadian exports has increased every year from 1990 to 1999, with the exception of 1995 — an increase of more than 12 percentage points in less than 10 years.
- Both Europe and Asia-Pacific lost considerable share over the same period, declining 4 and 6 percentage points respectively.
  - Asia-Pacific experienced an unusually rapid drop between 1997 and 1999 as a result of the region's economic difficulties.
- Latin America's share of Canadian exports stayed relatively constant for the past decade at under 2% of Canadian exports, but has trailed off slightly in recent years.

Over the first three quarters of 1999, 87.1% of our merchandise exports were destined for the U.S., up from 84.7% in 1998.

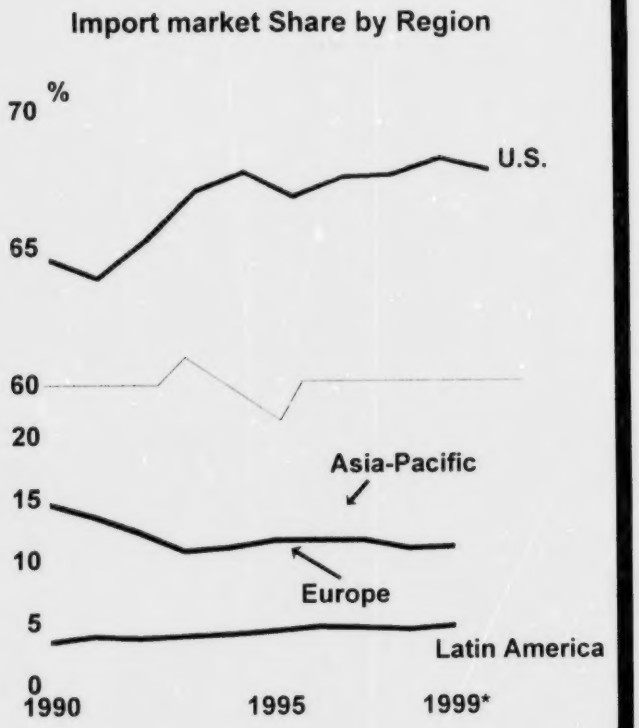
Canadian Merchandise Export Market Share by Region



*Last four quarters
Source: Compilations based on Statistics Canada data

...as did our reliance on the U.S. for our imports, but at a slower pace

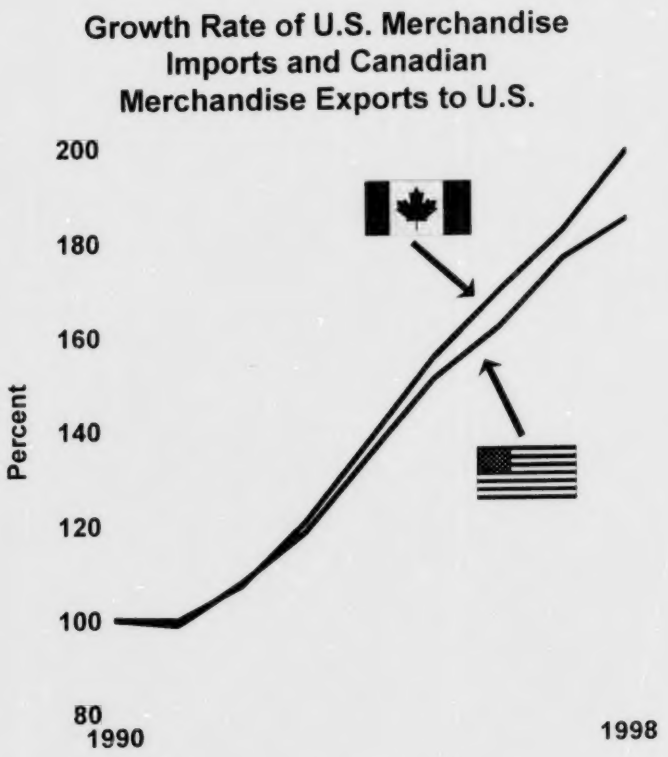
- U.S. share of Canadian imports dipped slightly in 1999, loosing 0.4 percentage points to reach 67.8%. It still remains well above the 64.5% seen at the beginning of the decade.



*Last four quarters
Source: Compilations based on Statistics Canada data

The recent Canadian export boom is largely a result of the strong U.S. economy

- There has been a very strong correlation between the growth in the U.S. merchandise imports and the growth in Canadian merchandise exports to the U.S. over the nineties.
- The U.S. economy is expected to continue to perform well in 2000 and 2001, making for a sunny outlook for Canadian exports.

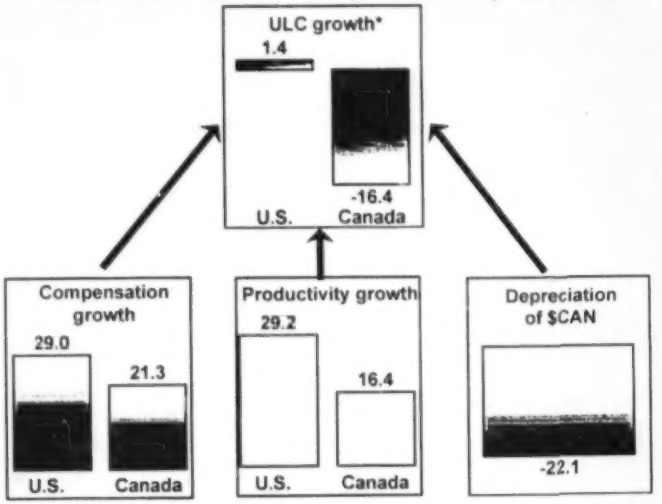


Source: Industry Canada compilations based on data from U.S. Department of Commerce and Statistics Canada

The depreciation of the Canadian dollar has helped in Canada's cost competitiveness

- The depreciation of the Canadian dollar was entirely responsible for Canada's improved cost position in the 1990's.
  - Between 1990 and 1998, the Canadian dollar depreciated by 22 percent.
- The lower rate of growth in Canada's hourly compensation in manufacturing was more than offset by our relatively poor productivity performance.
- Canada's recent export expansion and improved trade performance will not be sustainable in the longer run, without a substantial improvement in our relative productivity performance.

Cumulative Change in the Components of Unit Labour Costs (ULC) in Manufacturing: Canada and the U.S., 1990-98 (Percent)



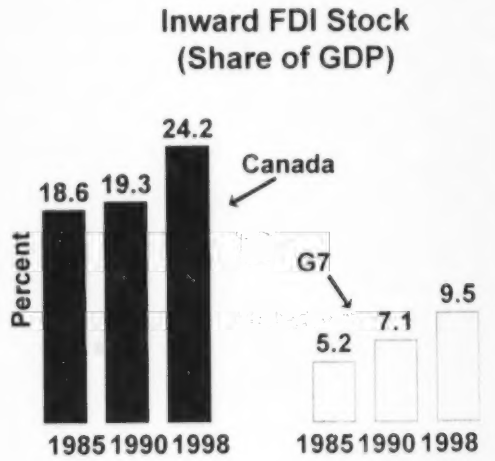
Canadian Dollar vs US Dollar

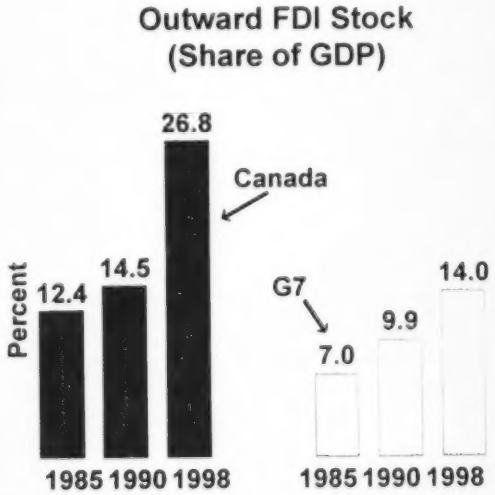
* ULC growth in U.S. dollars.
Source: Compilations based on data from U.S. Bureau of Labour Statistics and Statistics Canada

Foreign Direct Investment

Canada's foreign investment orientation is more than twice that of other G7 countries

- In 1998, the ratio of total FDI stock (inward plus outward) to GDP in Canada reached 51.0%, compared to 33.8% in 1990.
- The foreign investment orientation gap between Canada and other G7 countries widened significantly in the 1990's — from 16.8% to 27.5%.
- It is interesting to note that outward investment orientation increased at a much faster pace than inward investment orientation in both Canada and other G7 countries.

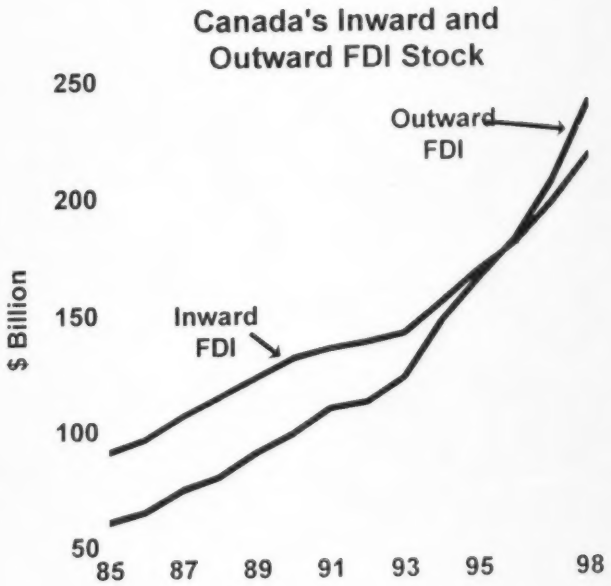




Source: Compilations based on data from Statistics Canada and *World Investment Report*, United Nations

Canada has become a net exporter of capital...

- In the 1990s, the stock of Canadian outward FDI has grown at a significantly faster pace than the stock of inward FDI in Canada.
  - In 1996, for the first time in Canadian history, stock of outward FDI exceeded that of inward FDI, making Canada a net exporter of capital. In 1998, the stock of outward FDI was 10.5% above that of inward stock.
- The strong increase in outward FDI is an indicator of the growing confidence and dynamism of Canadian-based firms.



Foreign Direct Investment Stock
$ Billion

	1985	1990	1998
Outward	60	98	240
Inward	90	131	217

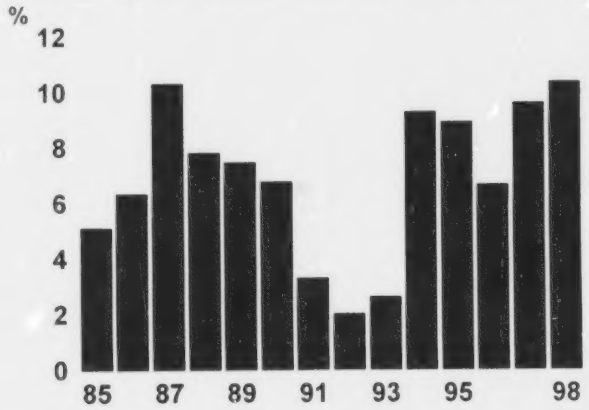
Source: Compilations based on Statistics Canada data

...despite inward FDI increasing dramatically since 1994

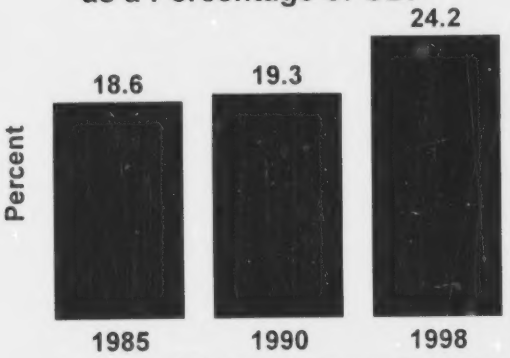
- Canada's inward FDI stock has increased by nearly $90 billion since 1990 — from $130 billion in 1990 to $217 billion in 1998.
  - The ratio of outward FDI stock on Canada's GDP was up considerably, rising by 5.6 percentage points between 1990 and 1998, to 24.2%.

FDI grew by 10.3% in 1998, the fastest rate of growth in FDI stock since 1980 — FDI growth is very pro-cyclical

Growth in Canada's Inward FDI Stock



Canada's Inward FDI Stock as a Percentage of GDP

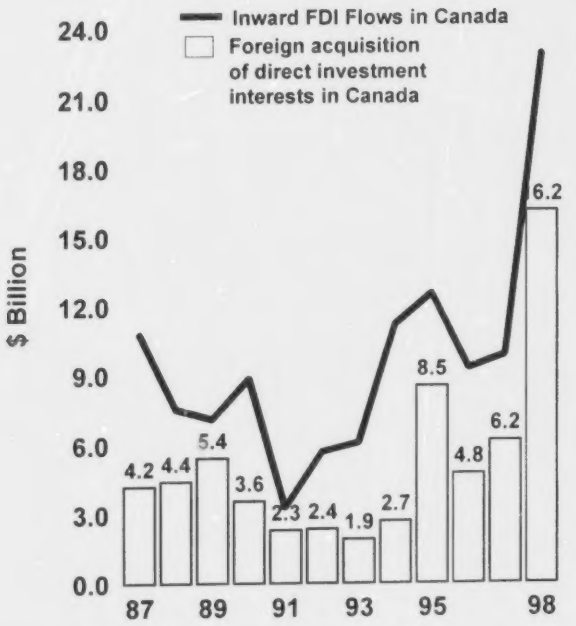


Source: Compilations based on Statistics Canada data

FDI inflows to Canada rebounded strongly In the 1990s...

- The 1990s have marked a significant resurgence of inward FDI flows to Canada.
  - FDI flows increased at an average rate of 31.9% per year between 1991 and 1998, compared to a decrease of 25.6% per year between 1987 and 1991.
  - The U.S. accounted for more than 70% of cumulative net FDI inflows to Canada between 1990 and 1998.
- Trends in FDI flows and merger and acquisition activity are positively correlated.
  - In 1998, foreign takeovers in Canada reached a record-level ($16.2 billion), representing more than 70% of FDI inflows that year.

Change in Inward FDI Stock and Foreign Acquisitions in Canada

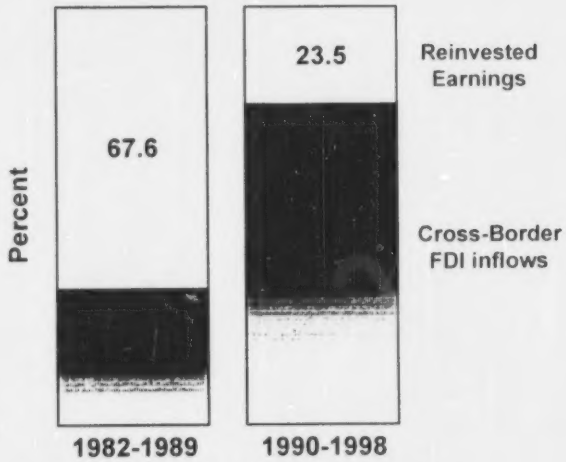


Source: Compilations based on Statistics Canada data

...largely in the form of cross-border capital inflows...

- Cross-border capital accounted for over 76.5% of net FDI inflows to Canada in the 1990s compared to only about 32% during the 1980's.
- New business opportunities and increased mergers and acquisitions explain much of the increase in externally financed FDI in the 1990s.

Share of Cross-border FDI Flows and Reinvested Earnings in Total Net FDI Inflows to Canada



Cumulative Net FDI Inflows to Canada, $ Billion	
1982-89	1990-98
40.0	97.5

Source: Compilations based on Statistics Canada data

...but Canada's share of North American inward FDI has declined steadily...

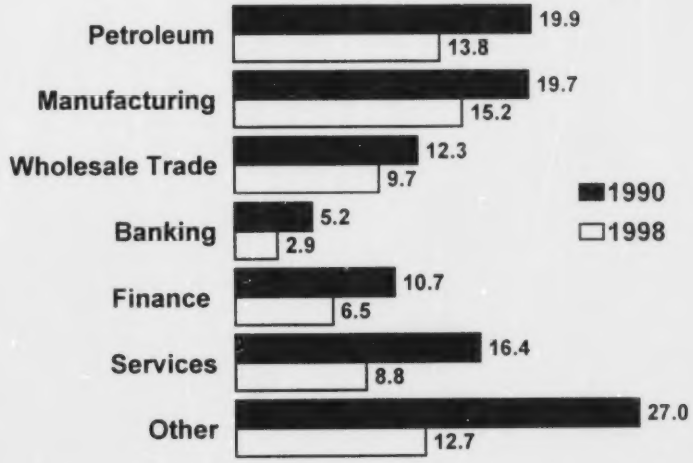
- Between 1990 and 1998, Canada's share of North America's inward FDI stock declined by 7.6 percentage points to 13.6%.
- Over 90 percent of this decline is due to the reduction in Canada's share of U.S. outward FDI.
  - But, Canada's share of non-U.S. FDI in North America has also been falling.

Note: 1997 and 1998 data for Mexico, adding flows to 1996 stocks
Source: OECD, Statistics Canada, BEA, SCOFI

...across all major industries

- **Canada has been receiving a smaller share of U.S. direct investment abroad across all industries.**
  - **Our declining share of U.S. Foreign investment is the primary reason for our declining share of North American inward FDI.**

Canada's share of outward U.S. FDI by Industry

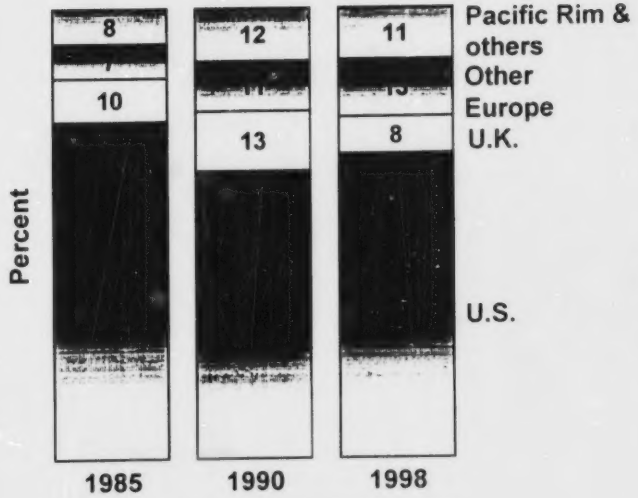


Source: U.S. Department of Commerce, Bureau of Economic Analysis

However, the U.S. share of Canadian FDI stock rebounded significantly

- After declining between 1985 and 1990, the U.S. share of Canadian inward FDI increased significantly after 1990.
  - The U.S. share of foreign direct investment in Canada increased by 4 percentage points after 1990, reaching 68% in 1998.
  - The U.K. share of FDI in Canada fell 5 percentage points over the same period.

Geographic Distribution of Canada's Inward FDI Stock



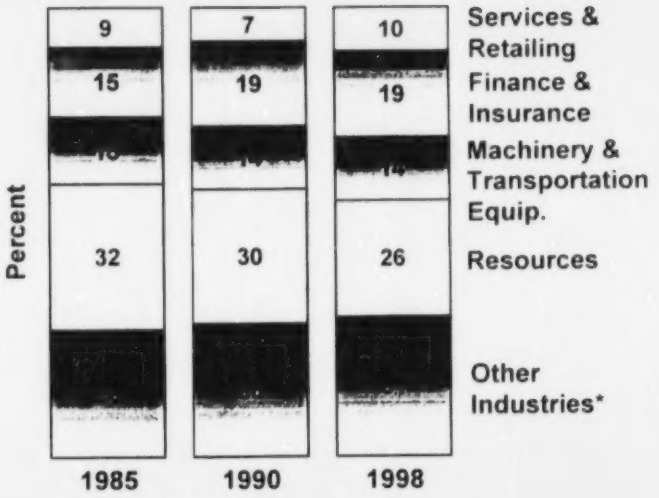
FDI Stock, $ Billion	1985	1990	1998
FDI	90	131	217

Source: Compilations based on Statistics Canada data

Service industries are attracting an increasing share of FDI in Canada

- **There has been a slight movement in investment away from resource industries into services and retailing in the 1990's, with the former losing 4 percentage points while the later gained 3 percentage points.**
  - **On the other hand the share of finance and insurance industry remained constant at 19 percent — after gaining 4 percent between 1985 and 1990.**

Industry Distribution of Inward FDI Stock



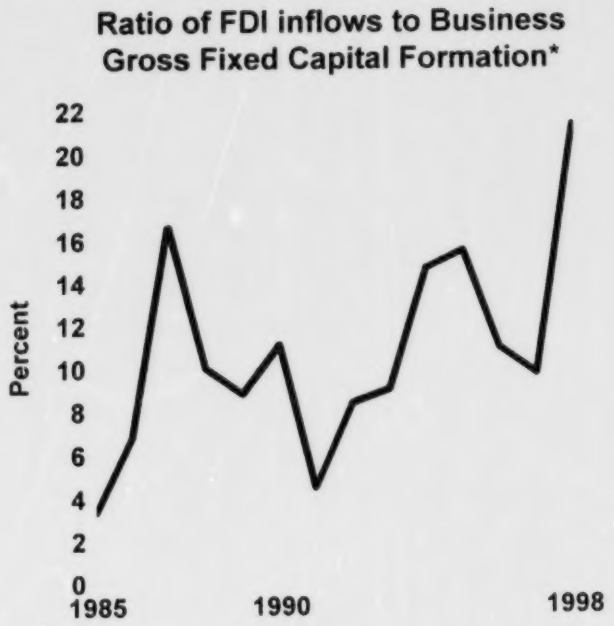
FDI Stock, $ Billion		
1985	1990	1997
90	131	188

* Includes Food, beverages and tobacco, Chemicals, chemical products and textiles, Electrical and electronic products, Construction and related activities, and Communications

Source: Compilations based on Statistics Canada data

Inward FDI flows account for a large portion of Canada's capital formation

- In the 1990s, the importance of FDI flows for business investment has increased.
  - Its share of business investment increased from 4% in 1991 to 21.2% in 1998 — averaging 13% for the decade.

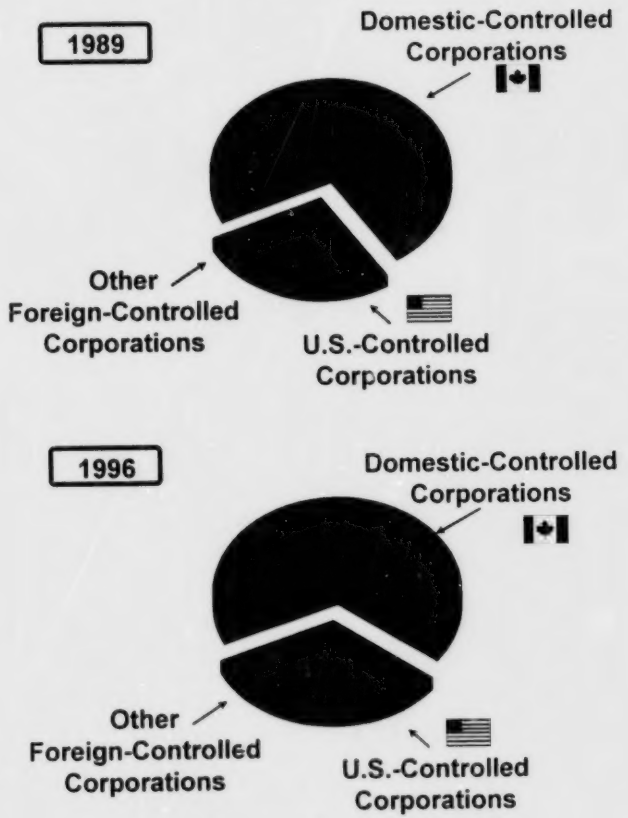


*Excluding residential structures
Source: Compilations based on Statistics Canada data

In the 1990's foreign-controlled firms in Canada outperformed Canadian-controlled firms...

- Superior performance contributed to the rising share of corporate revenues earned by foreign-controlled firms in Canada.
  - Between 1989 and 1996 the share of foreign-controlled firms (mostly U.S.) in total corporate revenue increased by about 6 percentage points.
- However, the share of foreign-controlled corporate assets, remained relatively stable around 24 percent in the 1990's.

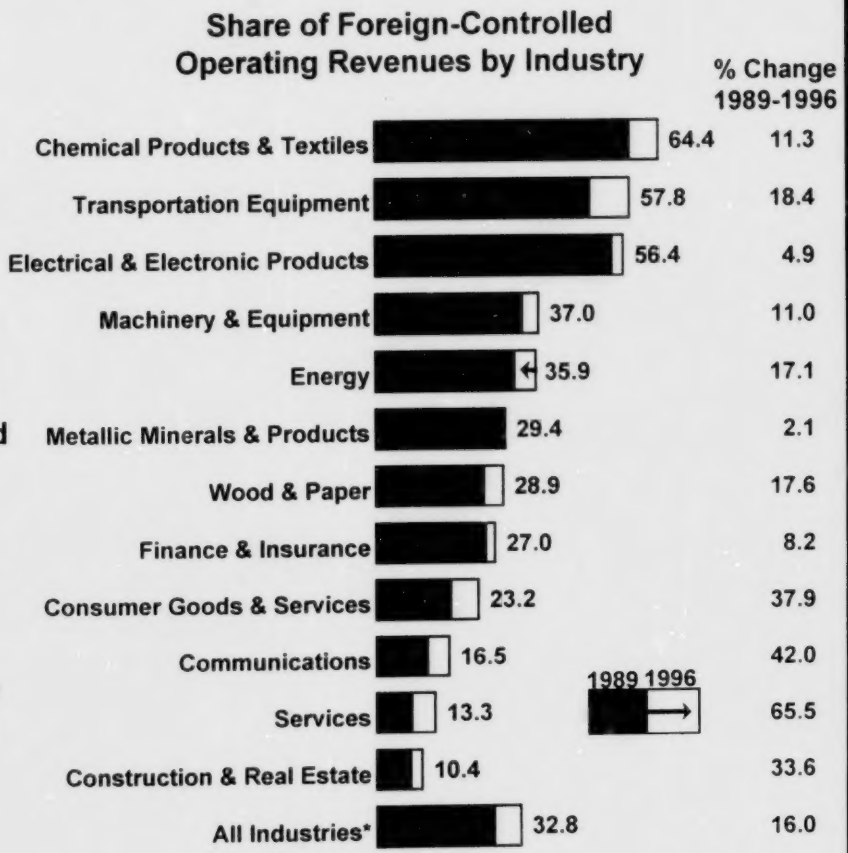
Share of Foreign-Controlled Corporate Operating Revenues in Canada



Source: Sawchuk, Sancak and Sydor "Canada's Growing Economic Relations with the United States," Industry Canada Micro-Economic Monitor, Q3 1999.

...mainly in high technology-intensive industries

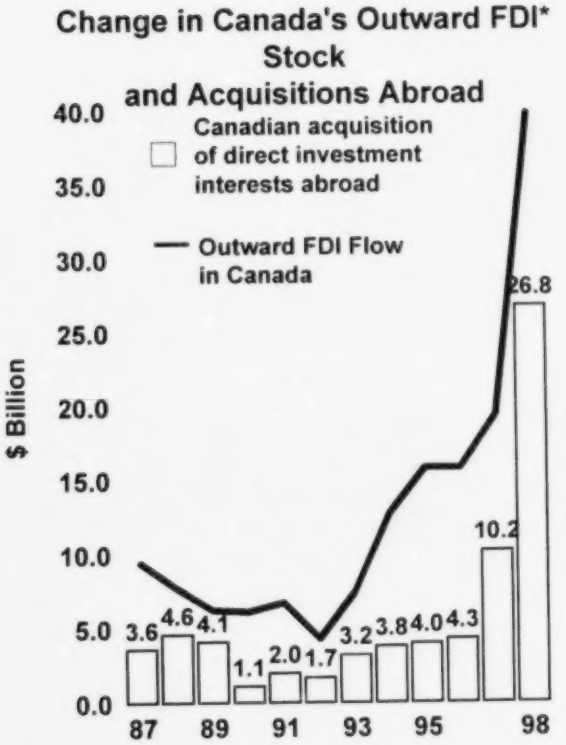
- Foreign control is highest in the manufacturing sector, specifically in high-tech manufacturing industries — Chemical Products & Textiles, Transportation and Electrical and Electronic Products.
- Between 1989 and 1996, the share of foreign-controlled revenues increased the most in Chemical Products & Textiles, Transportation Equipment and Consumer Goods & Services, all of which increased by more than 6 percentage points.
- It is only in the Energy sector that the share of foreign controlled operating revenues declined.



*excludes investment and holding companies
Source: Compilations based on Statistics Canada data

FDI outflows from Canada rose to record levels in 1998...

- FDI outflows reached a record-high of more than $39.8 billion in 1998.
  - The U.S. was the destination for more than a third of Canada's cumulative net CDIA flows between 1990 and 1997, down from two thirds between 1982 and 1989.
- Canadian-based firms have been active participants in the global merger and acquisition boom of the past two years.



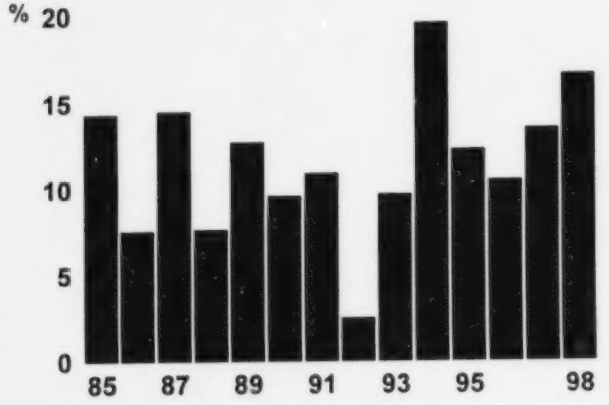
* Canadian direct investment abroad (CDIA)
Source: Compilations based on Statistics Canada data

...resulting in a sharp rise in the stock of outward FDI

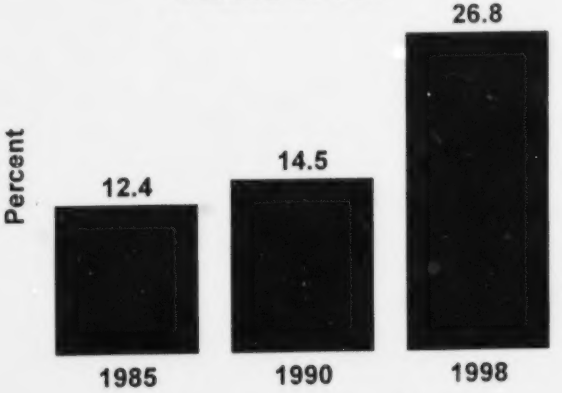
- The share of outward FDI stock in Canada's GDP is up dramatically, rising by 12 percentage points between 1990 and 1998, to nearly 27%.
- In the 1990's, outward FDI stock grew at an astonishing average annual rate of more than 11.5%, significantly faster than growth of inward FDI stock. In 1998 it increased by 16.5%

Canada's outward FDI stock has doubled since 1993 - increasing from $120 billion in 1993 to $240 billion in 1998.

Growth in Canada's Outward FDI Stock



Canada's Outward FDI Stock as a share of GDP

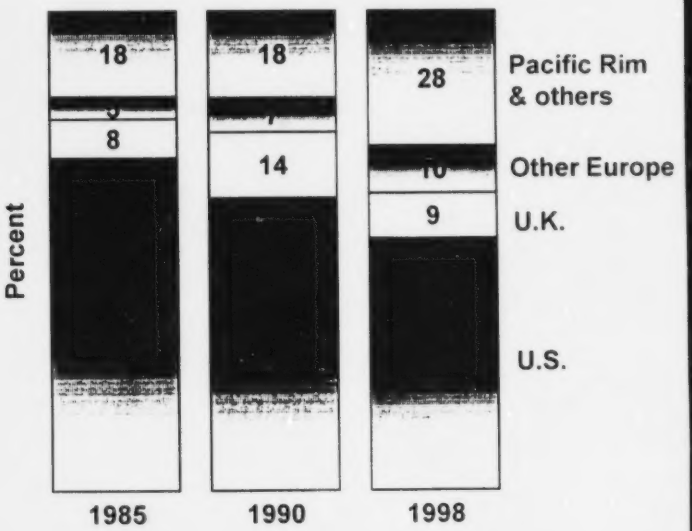


Source: Compilations based on Statistics Canada data

Canada's outward FDI stock is diversifying geographically...

- The U.S. is still the dominant destination for Canadian outward FDI, but its importance has dwindled steadily in the last decade.
- Europe's share of outward FDI has not changed significantly in the 1990s and continues to account for about a fifth of Canadian direct investment abroad.
  - The U.K. however, which alone accounted for about 14% of outward FDI in 1990 now accounts for only one-tenth of Canadian Direct Investment Abroad.
- In the 1990s, the importance of non-European countries, especially Asia Pacific, for CDIA increased substantially.

Geographic Distribution of Canada's Outward FDI Stock*

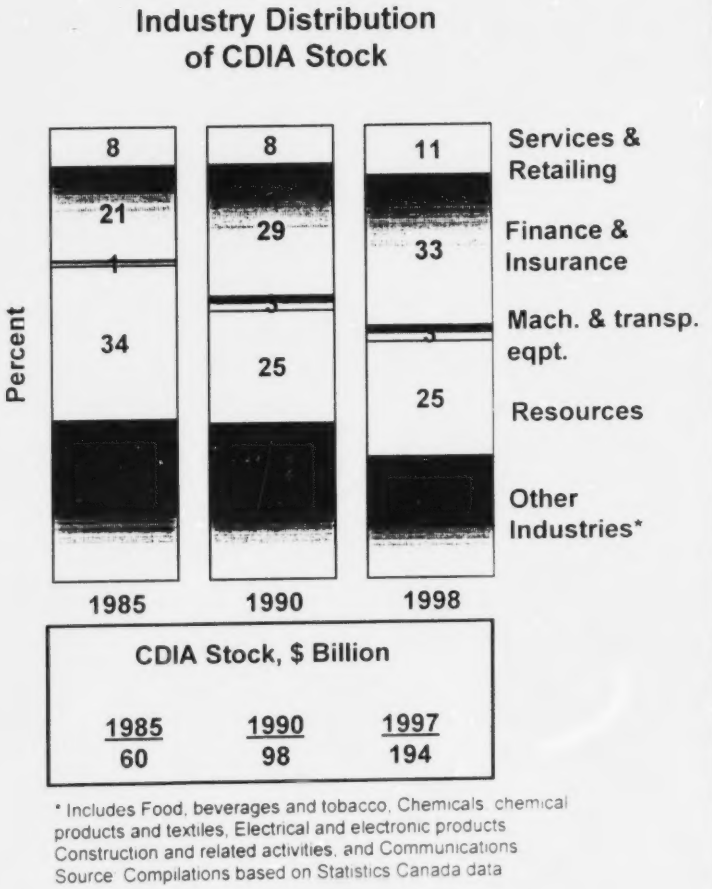


CDIA Stock, $ Billion		
1985	1990	1998
60	98	240

Source: Compilations based on Statistics Canada data

...and moving increasingly into services

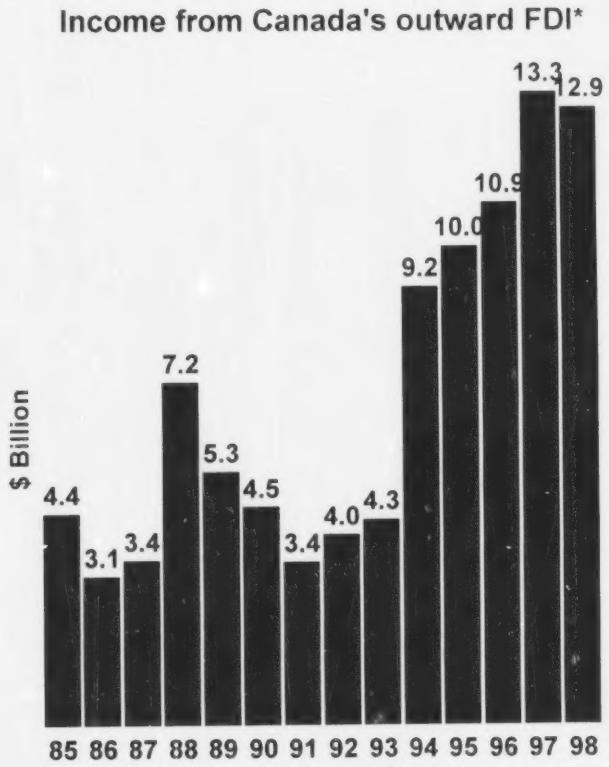
- Between 1985 and 1998 the share of services industries in Canada's outward FDI stock increased by 16 percentage points, occurring mainly at the expense of resource-based and other industries.
  - Finance and insurance industries increased their share from 21 percent in 1985 to 33 percent in 1998.



* Includes Food, beverages and tobacco, Chemicals, chemical products and textiles, Electrical and electronic products Construction and related activities, and Communications
Source: Compilations based on Statistics Canada data

Outward FDI contributes positively to the standard of living of Canadians

- Since 1994, Canadian receipts of direct investment income increased sharply in conjunction with the dramatic increase in outward FDI:
  - Direct investment income averaged $11.3 billion during the period of 1994 to 1998, compared to only $4.7 billion per year between 1985 and 1993.

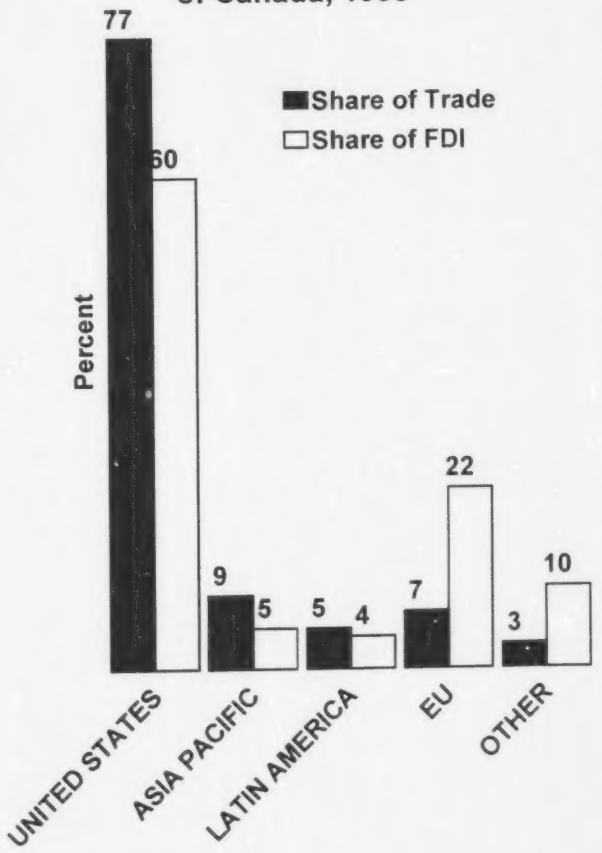


* Annual income from interest, dividends and reinvested earnings on Canadian direct investment abroad.
Source: Compilations based on Statistics Canada data

Trade and FDI complement each other

- Canada's trade and FDI activities in Canada are highly correlated: countries or regions with relatively high shares of Canada's total trade also account for relatively high shares of Canada's total (inward plus outward) FDI.
- This is largely due to a high degree of intra-company trade by foreign subsidiaries operating in Canada and Canadian subsidiaries operating abroad. For example, intra-company trade accounts for about 70% of total trade of U.S. subsidiaries in Canada.

Shares of Major Regions/Countries in Total Trade* and Total FDI Stock of Canada, 1998**



* Exports plus imports.
** Inward plus outward FDI stock.
Source: Compilations based on Statistics Canada data.

Conclusions

- Canada's trade continued to soar in 1999 making a significant contribution to economic growth. Our trade orientation is markedly higher than that of other G7 countries and the gap continues to widen. Strong economic performance in the U.S., a declining Canadian dollar and the North American trade agreements are the leading drivers of Canadian trade in the nineties.

- The U.S. share of Canadian merchandise exports surpassed 87% in 1999. And while natural resources and resource-based products constitute a smaller portion of exports in 1998 than they did in 1985, changes have been slow. Team Canada sectors exports performed well with nearly all sectors surpassing the Canadian average. As a result Team Canada sectors exports increased as a share of total exports in 1998.

- On the FDI front, Canada's share of North American FDI continued to fall in 1998, dropping to 13.6%. This declining share is mostly due to our declining share of U.S. direct investment abroad. Canada's outward FDI on the other hand has continued to grow at a faster pace than inward FDI, resulting in a significant improvement in the investment income balance.

Canada's Trade and Investment Performance in Latin America

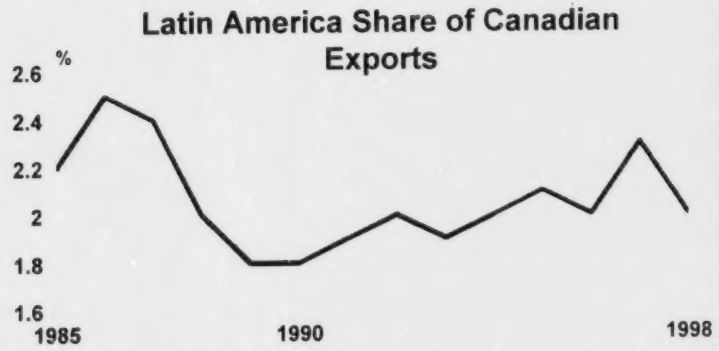
Latin America markets offer good potential for Canadian exports

- Latin America is an increasingly important destination for Canadian exports and this is expected to increase dramatically as bilateral trade agreements are negotiated and free trade of the Americas may become a reality.
  - Four countries (Mexico, Brazil, Argentina and Chile) account for nearly 50% of Canadian exports to Latin America.

Countries of Particular Interest

Export growth to Latin America has been rapid

- Canada's exports to Latin America have experienced double digit growth rates in the 1990's. However, Latin America's share of Canadian Exports has only edged up slightly as growth has been matched in the U.S.
- Mexico is the single largest destination for Canadian exports to Latin America, making up 18.4% of the region's total.



Merchandise Exports to Latin America

	Billions $	Growth* 90-98	Share** 1998
Brazil	1.4	13.5%	17.4%
Argentina	0.3	27.6%	4.3%
Chile	0.3	6.7%	4.3%
Peru	0.2	15.6%	2.4%
Other South America	1.4	12.1%	18.3%
Central America	2.8	9.2%	35.0%
Mexico	1.5	10.5%	18.4%
Total Exports	6.5	11.2%	

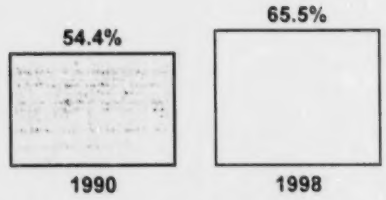
1990 1998

*Average annual growth rate
**Share of total exports to Latin America
Source: Industry Canada compilations based on Statistics Canada data

Exports of Team Canada sectors grew in importance...

- The share of Team Canada Sectors in Canadian exports to Latin America increased from about 54% in 1990 to over 65% in 1998
- Agri-food, Automotive, and Building Products and ICT sector represent over 90 percent of Team Canada exports to Latin America. They also experienced the fastest growth.
- Latin America is a major destination for Canadian Agri-food sector exports. 8.1% of all Canadian Agri-food exports go to Latin America.

Team Canada Sector Share of Exports to Latin America



Team Canada Sector Exports to Latin America

Millions $

		Growth* 1990-98	Share** 1998
Aerospace	248.3	2.3%	1.8%
Agri-Food	1852.6	15.9%	8.1%
AMT	125.5	36.2%	3.7%
Automotive	867.3	16.3%	1.1%
Building	770.4	17.9%	1.7%
EPE	103.2	5.1%	1.9%
Enviro	34.5	2.0%	4.8%
Health	73.0	9.5%	2.2%
ICT	733.7	16.8%	2.9%
Plastics	212.7	28.4%	2.8%
Total Exports	6464.0	11.2%	

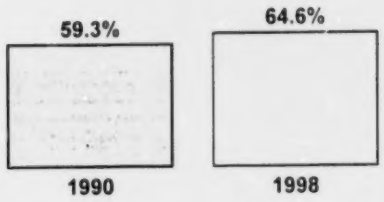
1990 1998

*Average annual growth rate
**Latin America share of Team Canada Sector exports
Source: Industry Canada compilations based on Statistics Canada data

...and imports as well

- The share of Team Canada Sectors imports also increased significantly during the 1990s — from 59.3% in 1990 to 64.6% in 1998.
- Similar to exports, Agri-Food, Automotive, and ICT make up the majority of Team Canada Sector imports from Latin America.

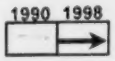
Team Canada Sector Share of Imports from Latin America



Team Canada Sector Imports from Latin America

Millions $

		Growth* 1990-98	Share** 1998
Aerospace	991.6	25.0%	10.1%
Agri-Food	2007.2	8.1%	20.4%
AMT	47.4	50.8%	0.5%
Automotive	3605.7	17.7%	36.6%
Building	730.7	8.2%	7.4%
EPE	421.7	31.3%	4.3%
Enviro	91.0	13.2%	0.9%
Health	82.7	18.5%	0.8%
ICT	1809.5	22.0%	18.4%
Plastics	59.4	28.9%	0.6%
Total Imports	12,962.8	13.9%	

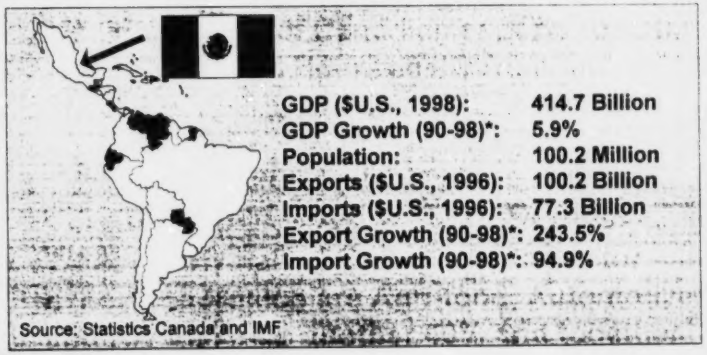


*Average annual growth rate
**Share of Team Canada Sector imports
Source: Industry Canada compilations based on Statistics Canada data

Mexico accounts for almost a fifth of Canadian merchandise exports to Latin America

- Mexico's share of Canadian exports to Latin America jumped dramatically from under 11% in 1986 to nearly 20% in 1990.
  - Since 1990, Mexico's share has fluctuated in the 17% to 19% range.
- While nearly half of Team Canada Sector exports to Mexico are Agri-food, Automotive and ICT make up another 40% and together account for over 80% of total exports to Mexico.
  - AMT and Plastics, however, each grew at over 40% per annum in the 1990's.

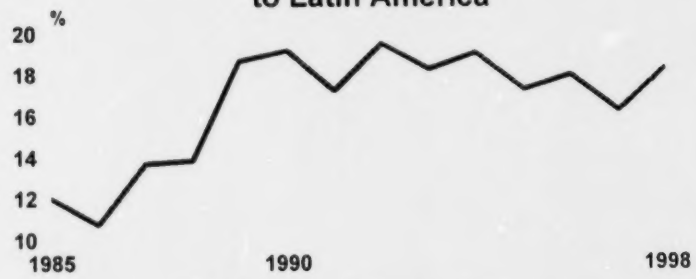
Latin America — Mexico



GDP ($U.S., 1998):	414.7 Billion
GDP Growth (90-98)*:	5.9%
Population:	100.2 Million
Exports ($U.S., 1996):	100.2 Billion
Imports ($U.S., 1996):	77.3 Billion
Export Growth (90-98)*:	243.5%
Import Growth (90-98)*:	94.9%

Source: Statistics Canada and IMF

Mexico Share of Canadian Exports to Latin America



Canadian Exports to Mexico
Millions $

		Growth* 1990-98	Share** 1998
Aerospace	9.9	-17.4%	0.8%
Agri-Food	579.3	22.3%	45.9%
AMT	53.2	43.2%	4.2%
Automotive	301.4	12.1%	23.9%
Building	54.0	6.1%	4.3%
EPE	24.3	22.9%	1.9%
Enviro	0.7	-32.9%	0.1%
Health	13.6	-4.2%	1.1%
ICT	145.3	9.9%	11.5%
Plastics	80.0	41.1%	6.3%
Total Exports	1454.0	10.5%	

1990 1998

*Average annual growth rate
**Share of Team Canada Sector exports to Mexico
Source: Industry Canada compilations based on Statistics Canada data.

Nearly 40% of Team Canada sector exports to Brazil are ICT and Aerospace

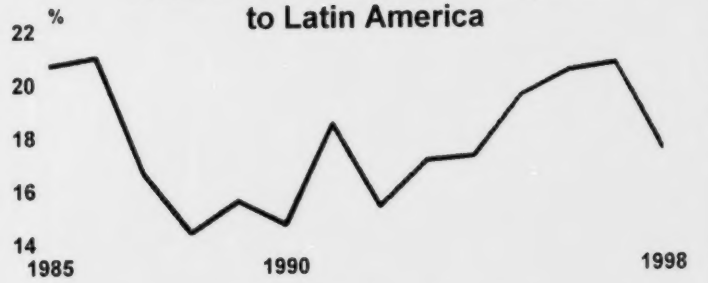
- Brazil's share of Canada's exports to Latin America rebounded dramatically in the 1990's. However, because of the financial crisis in that country, the share fell sharply in 1998.
- Eight of the 10 Team Canada sectors showed double digit growth rates in the 1990's. The ICT sector experienced exceptional growth, increasing from $16 million in 1990 to more than $266 million in 1998 — 43.2% growth per year on average.

Latin America — Brazil

GDP ($U.S., 1998):	$1.0 Trillion
GDP Growth (90-98)*:	3.0%
Population:	161.7 Million
Exports ($U.S., 1996):	51.1 Billion
Imports ($U.S., 1996):	50.1 Billion
Export Growth (90-96)*:	52.8%
Import Growth (90-96)*:	109.9%

Source: Statistics Canada and IMF

Brazil Share of Canadian Exports to Latin America



Canadian Exports to Brazil
Millions $

		Growth* 1990-98	Share** 1998
Aerospace	178.1	7.5%	19.3%
Agri-Food	178.1	12.6%	19.3%
AMT	8.2	23.1%	0.9%
Automotive	108.5	47.2%	11.7%
Building	131.4	59.4%	14.2%
EPE	20.8	17.0%	2.3%
Enviro	1.1	-5.4%	0.1%
Health	13.0	16.8%	1.4%
ICT	266.7	43.2%	28.8%
Plastics	19.0	52.6%	2.1%
Total Exports	1,379.9	13.5%	

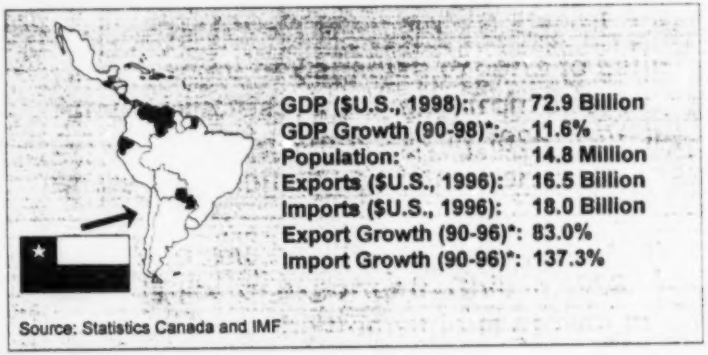
1990 1998

*Average annual growth rate
**Share of Team Canada Sector exports to Brazil
Source: Industry Canada compilations based on Statistics Canada data

Agri-food exports to Chile have grown by nearly 30% per year in the nineties

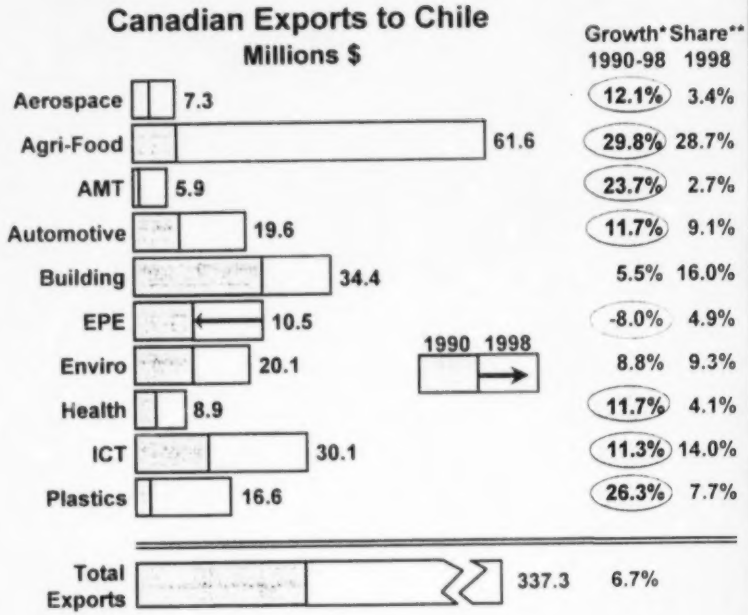
- **Chile's share of Canadian exports to Latin America increased steadily from about 2.5% in 1985 to almost 6% in 1996. But, its share fell significantly thereafter.**
- **Agri-food was only the sixth largest Team Canada sector exporter to Chili in 1990. But, thanks to the tremendous growth in the nineties (29.8% per year), it is now the largest exporter.**
- **ICT and Building products represent another 30% of our exports to Chile.**

Latin America — Chile



GDP ($U.S., 1998):	72.9 Billion
GDP Growth (90-98)*:	11.6%
Population:	14.8 Million
Exports ($U.S., 1996):	16.5 Billion
Imports ($U.S., 1996):	18.0 Billion
Export Growth (90-96)*:	83.0%
Import Growth (90-96)*:	137.3%

Source: Statistics Canada and IMF



*Average annual growth rate
**Share of Team Canada Sector exports to Chile
Source: Industry Canada compilations based on Statistics Canada data

Industry Canada Industrie Canada

Argentina has increased in importance as a destination for Canadian goods in all Team Canada Sectors

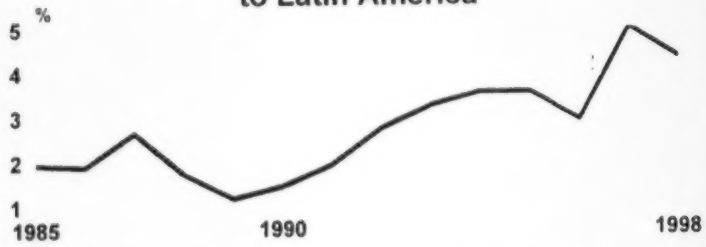
- Argentina's share of Canadian exports to Latin America increased almost three fold, from 1.4% in 1990 to 4.3% in 1998.
- All Team Canada sectors have been exhibiting tremendous export growth during the 1990's — between 25 and 60 percent per year.
  - Building Products and ICT represent almost 50% of all Team Canada Sector exports to Argentina.

Latin America — Argentina

GDP ($U.S., 1998):	298.3 Billion
GDP Growth (90-98):	9.8%
Population:	36.1 Million
Exports (1996):	25.3 Billion
Imports (1996):	25.1 Billion
Export Growth (90-96):	95.7%
Import Growth (90-96):	427.3%

Source: Statistics Canada and IMF

Argentina Share of Canadian Exports to Latin America



Canadian Exports to Argentina

Millions $

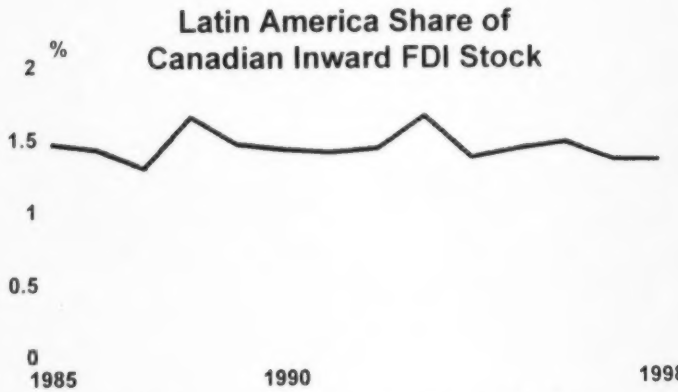
		Growth* 1990-98	Share** 1998
Aerospace	11.6	24.5%	3.8%
Agri-Food	36.9	60.9%	12.0%
AMT	18.8	46.8%	6.1%
Automotive	45.8	38.8%	14.8%
Building	82.7	39.2%	26.8%
EPE	10.7	29.6%	3.5%
Enviro	0.8	29.4%	0.3%
Health	9.1	36.8%	3.0%
ICT	62.6	38.2%	20.3%
Plastics	29.5	56.4%	9.6%
Total Exports	324.4		27.6%

1990 1998

*Average annual growth rate
**Share of Team Canada Sector exports to Argentina
Source: Industry Canada compilations based on Statistics Canada data

Mexico is an increasingly important source of FDI from Latin America

- Latin America as a whole only accounts for about 1.5% for Canadian inward FDI, making it extremely difficult to disaggregate by country.
  - Investment from Mexico has increased at a rapid pace since the implementation of NAFTA albeit from a very small base.
  - Brazil's and Mexico's shares of inward Latin America FDI have been increasing in recent years.



Inward FDI Stock in Canada from Latin America

	Billions $ 1990	Billions $ 1998	Share* 1990	Share* 1998
Brazil	0.3		8.2%	12.0%
Mexico	0.5		-0.7%	16.0%
Other L.A.	2.1		92.5%	72.0%

*Share of Latin America FDI in Canada
Source: Industry Canada compilations based on Statistics Canada data

Almost $45 billion worth of Canadian outward FDI stock is in Latin America

- **Unlike for inward FDI, Latin America is a popular destination for Canadian outward FDI.**
  - **The region's share of Canadian outward FDI has grown at a staggering pace in the 1990's, more than doubling the share from 8% in 1990 to 18% in 1998.**
  - **Barbados (33%), Bahamas (14%) and Bermuda (11%) together account for almost 60 percent of Canadian outward FDI in Latin America.**
  - **Perhaps, generous tax treatment of FDI by the host economies explains this pattern.**

Canadian Outward FDI Stock in Latin America

Billions $

			Share* 1990	Share* 1998
Mexico	2.2	1990 1998	3.0%	5.2%
Argentina	2.2		1.5%	9.8%
Chile	4.2		3.4%	5.2%
Brazil	2.8		20.5%	6.5%
Other L.A.	31.7		71.6%	73.3%

*Share of Latin America CDIA
**Bahamas, Barbados and Bermuda
Source: Industry Canada compilations based on Statistics Canada data

Canada's Trade and Investment Performance in Latin America

- Our trade linkages with Latin American countries strengthened significantly in the 1990s. Mexico and Brazil account for over 40% of Canadian exports to Latin America.
- The importance of Team Canada Sectors increased considerably. Agri-food, Automotive, Building Products and ICT sectors represent over 90% of Team Canada exports to this region.
- In the 1990s, the region's share of our total outward direct investment more than doubled to 18% in 1998. However, the Latin American countries are small players in terms of direct investment in Canada.

Annex — Latin America

Top 5 Exporters to Argentina

	$US Billions, 1996	Share 1989 (%)	Share 1996 (%)	Growth 1989-96 (%)
USA	5.6	25.0	22.3	25.7
Brazil	5.6	16.2	22.1	33.6
Italy	1.7	6.3	6.7	28.6
Germany	1.6	9.6	6.2	20.0
France	1.3	4.6	5.3	30.3
Rank 16 Canada	0.3	0.7	1.2	37.7

Top 5 Exporters to Chile

	$US Billions, 1996	Share 1989 (%)	Share 1996 (%)	Growth 1989-96 (%)
USA	4.9	23.8	27.2	17.2
Argentina	1.7	5.5	9.3	23.8
Brazil	1.1	10.7	6.3	6.7
Mexico	0.9	1.6	5.1	35.5
Japan	0.8	10.3	4.6	2.4
Rank 13 Canada	0.4	1.4	2.3	23.0

Top 5 Exporters to Brazil

	$US Billions, 1996	Share 1989 (%)	Share 1996 (%)	Growth 1989-96 (%)
USA	13.6	28.7	27.1	13.4
Argentina	7.1	6.2	14.1	28.5
Germany	5.1	8.7	10.1	16.8
Italy	3.3	2.8	6.6	28.8
Japan	2.3	6.6	4.5	8.2
Rank 10 Canada	1.1	2.5	2.2	11.9

Top 5 Exporters to Mexico

	US Billions $, 1996	Share 1989 (%)	Share 1996 (%)	Growth 1989-96 (%)
USA	60.7	76.8	78.4	13.1
Japan	3.7	3.5	4.8	18.0
Germany	2.7	3.7	3.5	12.0
Korea	1.2	1.1	1.6	18.9
Canada	0.9	1.6	1.2	8.2

Source: Industry Canada compilations based on data from the World Trade Database.